COMMANDERS DIGEST

MARCH 15, 1973

DEFENSE BUDGET FOR FY 1974

FORCE MODERNIZATION STRESSED

—pg. 2

SECRETARY RICHARDSON:

Insure Combat Capability

—pg.7

Personnel, Technology, Also Emphasized

Budget Stresses Force Modernization

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
(BILLIONS OF CURRENT $)

APPROPRIATION TITLE	TOTAL OBLIGATIONAL AUTHORITY FY 1973	FY 1974
Military Personnel	23.8	24.7
Retired Pay	4.4	5.3
Operation & Maintenance	22.3	23.1
Procurement	18.6	18.8
RDT&E	8.1	8.7
Military Construction	1.6	1.9
Family Housing	1.0	1.2
Civil Defense	.1	.1
Military Assistance	1.0	1.3
TOTAL	80.9	85.0

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
($ BILLIONS)

APPROPRIATION TITLE	CONSTANT FY 1974 DOLLARS TOTAL OBLIGATIONAL AUTHORITY FY 1973	FY 1974
Military Personnel	25.5	24.7
Retired Pay	5.3	5.3
Operation & Maintenance	23.3	23.1
Procurement	19.2	18.8
RDT&E	8.4	8.7
Military Construction	1.7	1.9
Family Housing	1.1	1.2
Civil Defense	.1	.1
Military Assistance	1.0	1.3
TOTAL	85.5	85.0

The Department of Defense budget for Fiscal Year (FY) 1974 continues funding for the strong defense posture essential to the security of the United States, the safety of its people and the support of negotiations. It is an austere budget that reflects no real increase in total funds allocated for defense over FY 1973. The transition from support of U.S. force involvement in Southeast Asia to Vietnamization is substantially completed at this time.

This permits in the FY 1974 budget the further modernization of our peacetime or "baseline" forces, consistent with the principles of the Nixon Doctrine, as we maintain a smaller but ready military force to implement our National Security Strategy of Realistic Deterrence and our total force concept. The budget provides a balanced program between personnel, modernization and technology. And for the first time, it stabilizes the growth of personnel and related costs in order to preserve this balance.

Some of the more important points to be noted are:

Financial

- Total obligational authority (TOA) requested for FY 1974 is $85.0 billion, an increase of $4.1 billion over FY 1973. Of this increase, $3.2 billion (78 percent) represents military, civilian and retired-pay cost increases. The balance is largely accounted for by inflation on material and services purchased by the Defense Department.
- FY 1974 outlays of $79 billion for Defense represent 28.4 percent of total Federal outlays—a reduction from 29 percent in FY 1973. This is a reduction of 14.1 percent from the FY 1968 peak of 42.5 percent. It is the lowest level since FY 1950.
- The decline in the percentage of Gross National Product (GNP) devoted to Defense continues in FY 1974 to a 24 year low. The reduction will be

from 6.2 percent in FY 1973 to 6.0 percent in FY 1974.

- Significant program increases occur in investment areas for baseline forces—procurement, Research, Development, Test and Evaluation (RDI&E), construction and family housing—consistent with the need to modernize our baseline forces and to maintain the high technology levels for technological superiority. These increases amount to about $1.3 billion.

- Operating funds increase by only $2.6 billion in FY 1974, despite the fact that pay costs alone increased by 3.2 billion.

- Nixon Doctrine Military Assistance Programs are budgeted at $1.3 billion—an increase of $300 million over FY 1973. The FY 1973 program level is depressed due to lack of Congressional action on appropriations in the last session of Congress and the limitations of Continuing Resolution Authority.

- Defense TOA for FY 1974 in dollars of constant buying power is $2.7 billion below the pre-war FY 1964 level.

- Defense outlays of $79 billion for FY 1974 are $8.7 billion below the FY 1964 pre-war level in constant dollars. As deliveries of equipment for modernization are received, research programs progress, and construction project completions increase, the lag between TOA and outlays will narrow. These investment programs involve relatively long leadtimes between program (TOA) approval and completion (outlays).

DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY

(BILLIONS OF CURRENT $)

MILITARY PROGRAM	TOTAL OBLIGATIONAL AUTHORITY FY 1973	FY 1974
Strategic Forces	7.4	7.4
General Purpose Forces	25.7	26.4
Intelligence & Communications	5.7	6.0
Airlift & Sealift	.9	.8
Guard & Reserve Forces	4.0	4.4
Research & Development	6.5	7.4
Central Supply & Maintenance	8.7	8.4
Training, Medical, & General Personnel Activities	16.4	18.2
Administration	1.7	1.7
Support of Other Nations	3.9	4.2
TOTAL	80.9	85.0

Major Program Changes

- Strategic Forces funding remains level at $7.4 billion in both FY 1973 and FY 1974. Major strategic weapons systems funding, however, reflects insignificant decreases for Safeguard ($−.2 billion), Poseidon ($−.2 billion) and Short-Range Anti-Ballistic Missile (SRAM) ($−.1 billion).

- General Purpose Forces program levels will increase slightly ($.7 billion), the net result of decreases in funding for support of Southeast Asia, being offset by pay increases and modernization programs. Significant modernization program increases cover funding for the F-15 ($+.2 billion), F-4J ($+.1 billion), AX ($+.1 billion), CVN-70 ($+.4 billion), and DD-963 ($+.3 billion).

- Intelligence and communications increase about $300 million, reflecting the need to continue to improve our capabilities in these areas and the impact of pay and price increases.

- Guard and Reserve force modernization and readiness improvement programs are continued in FY 1974, increasing funding requirements over FY 1973 by about $400 million.

- Research and development increases by $.9 billion. The increase is almost wholly in the areas of engineering development and advanced development programs essential to maintaining high technology levels and to support weapons systems modernization.

DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY

(BILLIONS OF CURRENT $)

Allocation of Resources to Baseline Forces and SEA War

	TOTAL OBLIGATIONAL AUTHORITY FY 1968	FY 1972	FY 1973	FY 1974
CURRENT DOLLARS				
Baseline Forces	56.3	70.7	74.7	XX
Additional SEA Cost	19.3	7.0	6.2	XX
TOTAL	75.6	77.7	80.9	85.0
CONSTANT FY 1974 DOLLARS				
Baseline Forces	84.4	79.9	79.1	XX

Obligational Authority, Budget Auth
Outlays for Fiscal Years 1972-1

(Millions of Dollars)

Functional Classification	Direct Budget Plan (TOA)			Budget Authority (BA)		
	FY 1972	FY 1973	FY 1974	FY 1972	FY 1973	FY 1974
Military Personnel						
Active Forces	21,694	22,166	22,816	21,509	22,051	22,816
Reserve Forces	1,453	1,663	1,864	1,455	1,667	1,864
Total—Military Personnel	23,147	23,824	24,680	22,964	23,718	24,680
Retired Military Personnel	3,889	4,442	5,302	3,901	4,442	5,302
Operation and Maintenance	21,242	22,341	23,098	20,792	21,543	23,098
Procurement	18,758	18,622	18,806	17,777	17,800	18,806
Research, Development, Test & Evaluation	7,584	8,054	8,658	7,519	7,994	8,658
Military Construction	1,227	1,559	1,892	1,287	1,356	1,788
Family Housing	859	1,024	1,167	860	967	1,150
Civil Defense	78	84	90	78	84	90
Special Foreign Currency Program	12	3	3	12	3	3
Revolving and Management Funds	—	—	—	—	—	—
Offsetting Receipts	—	—	—	−107	−105	−95
Trust Funds	—	—	—	7	7	7
Intragovernmental Transactions	—	—	—	−6	−6	−6
Total Military Functions	76,796	79,958	83,694	75,084	77,804	83,480
Military Assistance						
Military Assistance—Gen. Accts.	935	989	1,331	901	953	1,211
MAP Offsetting Receipts—Fed. Funds	—	—	—	−70	−101	−125
MAP Trust Funds	—	—	—	3,193	3,362	3,090
MAP Offsetting Receipts—Trust Funds	—	—	—	−1,097	−2,298	−2,49
Total—Military Assistance	935	989	1,331	2,928	1,916	1,686
Grand Total—Dept. of Defense	77,731	80,947	85,025	78,012	79,720	85,16
Summary by Component						
Department of the Army	22,214	21,817	22,191	21,582	21,141	22,10
Department of the Navy	24,094	25,635	27,275	23,602	25,143	27,23
Department of the Air Force	23,860	24,856	25,399	23,245	23,956	25,36
Defense Agencies/OSD	1,743	2,046	2,213	1,759	2,015	2,18
Defense-wide	4,808	5,521	6,526	4,818	5,464	6,51
Civil Defense	78	84	90	78	84	9
Military Assistance	935	989	1,330	2,928	1,916	1,68
Total—Department of Defense	77,731	80,947	85,025	78,012	79,720	85,16

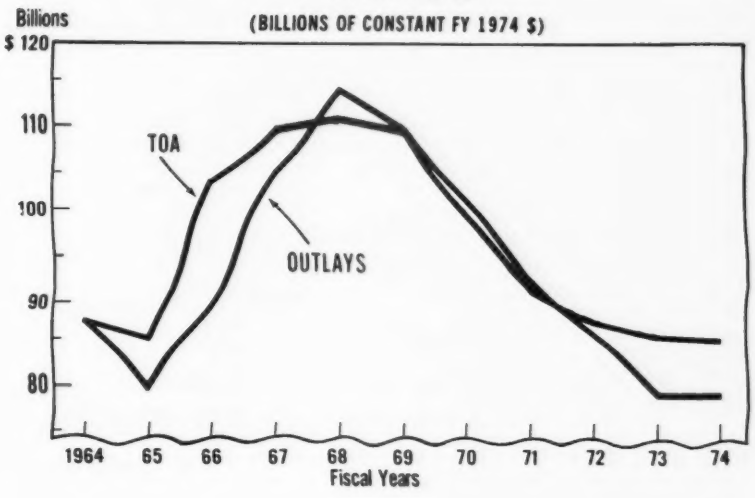
thority, and 2-1974

	Outlays		
Y 1974	FY 1972	FY 1973	FY 1974
2,816	21,629	22,024	22,555
1,864	1,401	1,616	1,830
4,680	23,036	23,640	24,384
5,302	3,885	4,447	5,272
3,098	21,675	21,664	22,304
8,806	17,131	15,600	16,490
8,658	7,881	7,649	8,164
1,788	1,108	1,068	1,220
1,150	688	847	964
90	75	87	91
3	3	8	9
—	−223	−708	−606
−95	−107	−105	−95
7	6	10	8
−6	−6	−6	−6
3,480	75,151	74,200	78,200
1,211	789	860	916
−125	−70	−101	−125
3,090	1,184	2,140	2,500
2,491	−1,097	−2,298	−2,491
1,686	806	600	800
5,165	75,957	74,800	79,000
2,106	22,596	20,576	21,007
7,231	22,336	22,592	24,534
5,360	23,999	23,721	24,301
2,183	1,517	1,873	1,962
6,510	4,629	5,350	6,299
90	75	87	91
1,686	806	600	800
5,165	75,957	74,800	79,000

DEPARTMENT OF DEFENSE BUDGET

BUDGET TRENDS

(BILLIONS OF CONSTANT FY 1974 $)

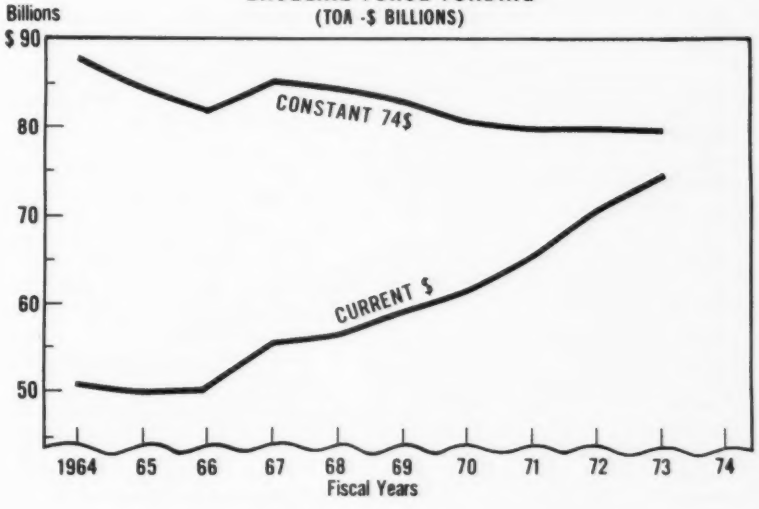


DEPARTMENT OF DEFENSE BUDGET

BUDGET TRENDS

BASELINE FORCE FUNDING

(TOA -$ BILLIONS)



- The general area of training, medical and personnel support shows the largest increase—$1.8 billion. This increase is attributable to pay and prices (including retired pay) and the continued emphasis on programs directly related to the attainment of an All-Volunteer Force.

- Programs such as airlift and sealift and central supply and maintenance reflect decreases in FY 1974. These decreases are generally associated with a lower level of support programmed for Southeast Asia.

- Administration and associated activities programs remain level at $1.7 billion, despite pay and price increases. In terms of constant dollar levels, this area is significantly reduced.

- Support of Other Nations increases by about $300 million, wholly attributable to the increase requested for the Military Assistance Program.

Forces and Personnel

- Strategic Missile Forces remain stable with programs continuing for the Minuteman III modernization and the conversion of Polaris to Poseidon submarines.

- Strategic Bomber Forces are reduced by 2 squadrons; from 30 squadrons to 28 squadrons. This reflects fact-of-life retirements of B-52Ds that have reached the end of their structural lives.

- Naval General Purpose Forces continue to reflect decreases as older, less effective ships and submarines are retired and replaced in lesser numbers by new highly effective ships. Principal reductions are in destroyers and diesel submarines. Two nuclear ships and four nuclear attack submarines join the fleet along with five destroyer escorts and a missile frigate.

- General Purpose Ground and Air Forces remain substantially at the levels programmed for FY 1973.

- Military Personnel are programmed to decrease by 55,000 to a total of 2,233,000 during FY 1974. About 31,000 of this decrease is made possible by the conversion of military positions to civilian positions, where the functions can be more effectively performed by civilian personnel and at lesser cost to the Government. The balance involves programmed reductions in Southeast Asia support and in other workloads, as well as related efficiencies in overall staffing. Military strength at the end of FY 1974 will be at a 24-year low.

- Civilian employment was projected to decrease by about 31,000 in FY 1974, but this decrease will be fully offset by the conversion of military positions to civilian positions in keeping with Administration and Congressional policies. As a result, total civilian employment will be level at about 1,012,000 from end FY 1973 to end FY 1974. Even with civilianization programs, this represents the lowest civilian employment level since 1950.

- Total Defense military and civilian strength at the end of FY 1973 is planned to be 3,246,000. This is 371,000 below pre-war 1964, and 1,588,000 below the 1968 wartime peak of 4,834,000.

- Defense employment in FY 1974 will absorb about 5 percent of the labor force. This is a .2 percent reduction below FY 1973 and 4.1 points below the FY 1968 war peak of 9.7 percent.

FY 1974 DEPARTMENT OF DEFENSE BUDGET

MANPOWER COMPARISONS

(END STRENGTH - IN THOUSANDS)

	FY 1968	FY 1972	FY 1973	FY 1974
MILITARY				
Army	1,570	811	825	804
Navy	765	588	574	566
Marine Corps	307	198	197	196
Air Force	905	726	692	666
TOTAL	3,547	2,322	2,288	2,233
CIVILIAN				
Army	462	367	344	346
Navy	419	342	325	325
Air Force	331	280	274	272
Defense Agencies/OSD	75	61	69	70
TOTAL	1,287	1,050	1,012	1,013
TOTAL - Military and Civilian	4,834	3,372	3,300	3,246

CURRENT MANPOWER STATUS (December 1972)

Military	2,346
Civilian	1,047
TOTAL	3,393

Summary

The orientation of the FY 1974 Budget continues the transition from past combat support in Southeast Asia to strengthening our "baseline" forces. Manpower continues to decrease as efficiencies are pushed and our commitment to Southeast Asia declines. As a result, the growth of manpower costs has been stabilized and more resources applied to technology and material modernization. Force changes include retirement of older and less effective equipment, offset by the receipt of newer and more capable materiel. The readiness of a smaller force structure continues to be improved.

The budget for FY 1974 represents an effective but austere balance of essential forces, manpower, technology and modernization. This balance is provided at a cost that approximates our FY 1973 Budget, except for pay raises and purchases inflation. It is the minimum required to support the National Security Strategy of Realistic Deterrence.

Secretary Richardson:

New Budget Maintains Strong Combat Capability

The Department of Defense budget for Fiscal Year (FY) 1974 was prepared by former Secretary of Defense Melvin R. Laird. In briefing news correspondents on the budget January 27, former Assistant Secretary of Defense (Comptroller) Robert C. Moot, now a consultant to Secretary of Defense Elliot L. Richardson, explained budget details, including force level needs, major program changes and operational requirements.

When meeting the Pentagon press corps for the first time January 31, Secretary Richardson also commented on the budget. A verbatim transcript of the budget portion of his remarks follows:

One last thing I might mention now is that I had a meeting yesterday morning, one in a series that Secretary Laird has had, of the Armed Forces Policy Council, and perhaps the most important thing done at that meeting was that I announced that I would be undertaking the review of the 1974 budget. I don't want to hold out the prospect that the cessation of hostilities in South Vietnam will have a massive impact on our budget requests, but certainly we do need to review them in the light of the situation, assuming, hopefully of course, that it continues.

In any event, I think we can anticipate a considerable amount of pressure to reduce the budget, and I want to be sure that I am fully prepared on the justifications for what has been requested in the situations where, and I would assume that this would be generally the case, I conclude that we ought to go forward on the basis of what is now in the budget. In general, I feel very strongly that this is not a time to make massive reductions in our combat capability. On the contrary, I believe that the ability of the President to pursue a generation of peace through the process of negotiation depends upon our maintaining strong Armed Forces. I do not believe that we can achieve through negotiation a significant reduction of tension in the world, if the United States unilaterally by disarming creates vacuums in the international structure of security that then lead to a disequilibrium, a temptation to exploit the vacuum, and that, I think, would be dangerous as well as self-defeating in terms of our negotiating objectives.

The kind of review I'm talking about will have a focus on possible opportunities, and I stress the word "possible," for tightening that could be accomplished without a reduction in forces-in-being in the combat-capable sense.

MAJOR PROGRAM CHANGES—FY 1974 OVER FY 1973
(In Millions of Dollars)

	FY 1973	FY 1974	Increase (+) Decrease (−)
Strategic Systems			
TRIDENT	795	1,712	+917
SAFEGUARD	600	402	−198
POSEIDON	706	498	−208
SRAM	203	139	−64
Subtotal			+447
Other Systems			
A-4M	2	69	+67
F-4J	——	131	+131
S-3A	619	546	−73
AX	48	142	+94
F-4E	170	100	−70
F-5A	——	72	+72
F-15	908	1,148	+240
C-130	93	192	+99
CH-47C	——	52	+52
STANDARD ARM	80	1	−79
CVN-70	299	657	+358
SSN-688	1,046	922	−124
DD-963	249	591	+342
PF	204	7	−197
M60A1	66	174	+108
DLGN Conversion	30	83	+53
Subtotal			+1,073
Support			
Training, Medical & Personnel Facilities	393	547	+154
Military Assistance Program	989	1,331	+342
Guard and Reserve Forces	4,008	4,439	+431
Intelligence and Communications	5,714	6,005	+291
Advanced Development	1,336	1,703	+367
Engineering Development (less TRIDENT)	1,688	1,966	+278
Medical Operations	1,247	1,378	+131
Ship Maintenance	676	788	+112
Service Attractiveness Programs			+114
Munitions	2,518	1,783	−735
Subtotal			+1,485
Total			+3,005

COMMANDERS DIGEST

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PAY INCREASES AND PAY AND PRICE INDICES SINCE 1945

Military and civilian pay increase			Pay & purchase price indices (FY 1964=100)			
Effective date	Military basic pay	Classified civilian salaries	Fiscal year	Military basic pay	Classified civilian salaries	Purchase Price*
Jul. 1, 1945	—	15.9%	1946	48.0	50.2	
Jul. 1, 1946	23.7%	14.2%	1947	59.4	57.4	
Jul. 1, 1948	—	11.0%	1948	59.4	57.4	
Oct. 1, 1949	22.9%	—	1949	59.4	63.7	78.2
Oct. 28, 1949	—	4.1%	1950	69.6	65.4	76.2
Jul. 1, 1951	—	10.0%	1951	73.0	66.3	83.3
May 1, 1952	4.0%	—	1952	73.4	72.9	83.1
Mar. 1, 1955	—	7.5%	1953	75.9	72.9	82.3
Apr. 1, 1955	10.0%	—	1954	75.9	72.9	80.6
Jan. 1, 1958	—	10.0%	1955	77.8	74.8	84.6
Jun. 1, 1958	8.3%	—	1956	83.5	78.4	88.8
Jul. 1, 1960	—	7.7%	1957	83.5	78.4	94.9
Oct. 14, 1962	—	5.5%	1958	84.0	82.3	96.2
Oct. 1, 1963	14.2%	—	1959	90.4	86.2	98.1
Jan. 5, 1964	—	4.1%	1960	90.4	86.2	97.6
Jul. 1, 1964	—	4.2%	1961	90.4	92.9	99.3
Sep. 1, 1964	2.3%	—	1962	90.4	92.9	98.9
Sep. 1, 1965	10.4%	—	1963	90.4	96.5	99.4
Oct. 1, 1965	—	3.6%	1964	100.0	100.0	100.0
Jul. 1, 1966	3.2%	2.9%	1965	105.2	106.3	102.3
Oct. 1, 1967	5.6%	4.5%	1966	114.7	109.2	104.2
Jul. 1, 1968	6.9%	4.9%	1967	120.3	113.3	106.8
Jul. 1, 1969	12.6%	9.1%	1968	125.3	117.1	109.7
Jan. 1, 1970	8.1%	6.0%	1969	135.8	124.2	113.7
Jan. 1, 1971	7.9%	6.0%	1970	159.1	139.6	119.3
Nov. 14, 1971	11.6%**	—	1971	171.8	148.0	126.2
Jan. 1, 1972	7.2%	5.5%	1972	198.4	156.5	131.1
Jan. 1, 1973	6.7%	5.1%	1973†	220.5	164.8	135.0
			1974†	235.8	173.5	139.0

* Non-compensation component of the deflator for federal purchases of goods and services. Source: 1949-72, Dept. of Commerce. FY 1973 & FY 1974 estimated 3% increase each year.

** 55% for personnel with less than 2 years of service, and 2% for those with over 2 years.

† Reflects 1/1/73 pay raise and assumes slightly larger 1/1/74 pay raise.

DEFENSE BUDGET, FEDERAL BUDGET, AND GNP FOR SELECTED YEARS

(Billions of Dollars)

Fiscal year		Federal Budget outlays					DoD outlays as % of	
		GNP	Net Total	Dept. of Defense	Other	Offsets*	GNP	Federal Budget
1950	Lowest year since World War II †	$ 263.3	$ 43.1	$12.0	$ 32.8	−1.7	4.5%	26.8%
1953	Korea peak	358.9	76.8	47.5	31.3	−2.0	13.3%	60.3%
1964	Last prewar year	612.2	118.6	50.8	70.7	−2.9	8.3%	41.8%
1968	SEA peak †	826.1	178.8	78.0	105.3	−4.5	9.4%	42.5%
1972	Last actual year	1,096.0	231.9	76.0	163.8	−7.9	6.9%	31.7%
1973	Current estimate	1,208.0	249.8	74.8	183.4	−8.4	6.2%	29.0%
1974	Budget estimate	1,313.0	268.7	79.0	198.8	−9.1	6.0%	28.4%

* These amounts are undistributed intragovernmental transactions deducted from Government-wide totals. These include Government contribution for employee retirement and interest received by trust funds.

† In constant dollars, and as a percentage of GNP and the Federal Budget.

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